

Study of Employer Turnover

Study involved 2003-05 data

Business birth/death is normal

Business births up; deaths steady

Washington compares favorably nationally

ESSB 6885 required the Employment Security Department to study and report on “the reasons for the unusually high rate of employer turnover among Washington employers, which leads to a high volume of charges against inactive accounts and increases socialized costs.”

Parameters of the study

- Looked at business births and deaths from January 2003 through December 2005.
- Included businesses with employees who register with Employment Security.
- Did not include businesses with no employees.
- Did not include private-household employers.

Key findings

- Business birth and death is a normal, expected part of the business cycle. The net effects on overall employment are relatively small and stable.
- “Deaths” do not always result in job losses. Changes in reporting practices, mergers and reorganizations may lead to an account going inactive, while the jobs continue.
- There are roughly 170,000 businesses operating in Washington each year.
- The rate of business deaths each year has been relatively steady, at 20,000.
- There is an increasing trend in business births in 2003 through 2005, a sign of recovery from the recession.

National comparisons

- U.S. Census Bureau study from 2001-03 included private-household employers and measured business expansions and contractions, in addition to business births and deaths, so the figures are not directly comparable to Washington’s numbers.
- The business birth rate in Washington is equal to or greater than the national average.
- Washington is lower than the national average in business death rate.

Closed Employment Security accounts

- 31 percent of businesses looked at in the study had no successor business.
- 27 percent no longer had employees.
- 20 percent transferred business to another employer.
- One-third of 1 percent went bankrupt.

Business death by years in business

- 30 percent of inactive employers had been in business two years or less.
- 50 percent of inactive employers had been in business four years or less.

Inactive charges

- Definition: benefits charged against an unemployment-insurance account that is closed.
- Decreased from \$155 million in 2003 to \$85 million in 2005.
- In 2005, inactive charges were roughly half of all socialized costs.

Contacts

Jill Will, legislative liaison, 360-902-9457, jwill@csd.wa.gov

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